Testimony before the House Committee on Agriculture
Monday, May 8, 2006
Greeley, Colorado
Tim Hume

Mr. Chairman and Members of the Committee,

I am grateful for the opportunity to provide input for the Committee's consideration and appreciate the effort you have made to hold a field hearing in Colorado.

My wife Leslie and I farm and ranch in Southeast Colorado and Southwest Kansas. Our crops, most of which are irrigated, include corn, sunflowers, alfalfa, wheat and sorghum. We also have a cow-calf operation and own land that is enrolled in the Conservation Reserve Program. In the past, we have also raised vegetable crops and canola.

During the development of the 2002 farm bill, I was fortunate to have the opportunity to serve as president of the National Corn Growers Association. It has been very informative to observe the bill's implementation and its impacts on agriculture.

I would like to address those impacts and other trends in agricultural policy from the perspective of a relatively young farmer. I am 35 years old and have been farming for thirteen years.

Overall, the 2002 farm bill has been relatively effective in helping to stabilize the agricultural economy and dampen the effects of low prices for program crops. Additionally, in years during which prices were higher, there have been significant reductions in federal spending for farm supports. The countercyclical nature of the countercyclical program and the marketing loan program has proven to be a great benefit to both the taxpayer and the agricultural economy.

In fact, the 2002 farm bill's actual cost has been less than its projected cost for the first four years of its implementation, averaging $15.7 billion per year. This total is less than a nickel per meal per US citizen. That nickel invested by the taxpayer ensures a never-ending supply of the safest food in history.

I would encourage you all to resist the calls to cut the budget for farm programs. Five cents a meal has won the consumer a bounty, but supports are merely adequate for agriculture. Four cents a meal is not enough to ensure a healthy agricultural economy in today's marketplace.

I believe that trade and exports are important to agricultural. Nearly 20% of our nation's corn crop is exported. However, we should avoid the oversimplification of issues involving the World Trade Organization. I have serious concerns about the offers being made by U.S. negotiators in an effort to get a new WTO agreement. Agricultural exports are not dependent on negotiating a new agreement. I believe the administration's offer of a reduction by 60% of amber box payments far outweighs the potential incremental increase in exports. Although the countercyclical and marketing loan programs may be less WTO friendly, they have been critical in sustaining my business and the economy and should be continued.

Another recent topic of debate has been the reduction of limits for farm program payments. Many assertions about the effects of payment limitations on young and beginning farmers have been made during this debate. As a young farmer, I would like to give you a first hand opinion.

Low payment limitations send a clearly negative message to young people considering a career in agriculture. With lower payment limits, we would encourage the best and brightest of a new generation to seek opportunities outside of agriculture. Talented young people in agriculture will expect to have a lifestyle comparable to others in society, not comparable to their grandparents. If that lifestyle is not available in agriculture, they will turn elsewhere. For U.S. agriculture to remain a dynamic industry, it must be able to attract new, ambitious, intelligent people. Lowering payment limitations will do just the opposite.

In conjunction with the 2002 Farm Bill, Federal Crop Insurance is meant to buffer agricultural producers from factors outside their control. Unfortunately, Federal Crop Insurance rules are stacked against young, expanding farmers. When a young farmer adds new land, they must use several years of a county base yield to calculate the insured "guarantee" or "actual production history." Effectively, this rule can cause such a gap between a new producer's expected yield and APH that the insurance is nearly worthless.

For example, in 2004 on a newly leased irrigated half section, my wife and I grew 120 acres of irrigated corn that averaged 225 bushels per acre. Due to extreme drought and heat in 2005, the 120 acres of irrigated corn on this field only yielded 95 bushels per acre with higher input costs than 2004. This field had routinely yielded higher than 200 bushels per acre in the past for the previous farmer. Because of crop insurance rules, we had a guarantee of only 106 bushels per acre at a 65% coverage level due to the requirement that we use several years of the 147 bushel T-yield and only one year of our actual production on that field to calculate our APH. The end result was an insurance payment of $27 per acre versus a loss compared to the previous year of $298 per acre.

Had we been able to use our production to calculate the guarantee, we would have received an insurance payment of $101 per acre at a 65% coverage level. This is still small relative to the loss, but is substantially better than $27. As a result of inadequate insurance and soaring natural gas prices, we did not renew the lease on this property for 2006.

A producer's actual yields should carry a far greater weight in determining insurance guarantees than outdated T yields. A long time farmer would have received roughly four times the insurance proceeds compared to a beginning farmer adding new land. This is the one of the largest disincentives to beginning farmers in federal agricultural policy. It should be addressed.

I appreciate the opportunity to share my thoughts.

Sincerely,

Tim Hume